GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:1088
ANSWERED ON:23.11.2001
CORPORATE GOVERNANCE
M. JAGANNATH

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government have taken any steps to tone up corporate governance;

(b) whether in view of the market manipulations in recent past it has become imperative to bring about necessary changes for reforming the systems of corporate governance; and

(c) if so, the steps the Government contemplate to take in near future in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (DR. RAMAN SINGH)

(a) to (c) : Securities and Exchange Board of India (SEBI) set up a Committee on Corporate Governance on May 7, 1999 to promote and raise the standards of Corporate Governance. Based on the recommendations of the Committee, SEBI directed stock exchanges to amend their listing agreements to implement the mandatory recommendations of the Committee. SEBI has made some of the best practices of corporate governance mandatory, through a phased programme. The board of directors of a company shall have an optimum combination of executive and non-executive directors with not less than 50% of the board consisting of non-executive directors. A qualified and independent audit committee is required to be set up, which will meet at least thrice a year. The annual reports of companies are required to have a separate section on corporate governance. The new clause in the listing agreement also lays down board procedures including the frequency of board meetings. Further, a director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director. Shareholders are to be provided information in case of appointment of a new director or re-appointment of a director. A board committee is to be formed to look into redressal of shareholder and investor complaints. The Government has also instituted a National Award for Excellence in Corporate Governance.